

Volume No. 1 - Policies & Procedures	TOPIC NO.	20905
Function No. 20900 —Reconciliation Procedures	TOPIC	CARS RECONCILIATION REQUIREMENTS
	DATE	April 2001

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Overview

Introduction

This topic establishes the policies governing the preparation and reconciliation of financial records maintained by all State agencies. To ensure accuracy and uniformity in the preparation and reconciliation of financial data input to the Commonwealth Accounting and Reporting System (CARS), all internally prepared accounting records, data submission logs, and other accounting data must be reconciled to reports produced by CARS. Such reconciliations shall be performed and certified to the Department of Accounts (DOA) monthly and at a year-end date as prescribed by the Comptroller in the year-end memorandum to agencies published annually.

This topic specifically addresses requirements and recommended procedures to accomplish this reconciliation. Presented in the Policy section is a definition of the reconciliation requirements applicable to all agencies. However, if an agency reconciles its records to CARS utilizing other procedures, such procedures will be acceptable if they provide the same results and audit trails as outlined in the following procedures.

In addition, *Reconciliation Procedures* describes procedures that are recommended by the Comptroller's Office as the most efficient method of reconciling.

Specific recommendations for Fixed Asset Accounting and Control System (FAACS) users are presented in CAPP Topic No. 30905, *Requirements*. Payroll reconciliation procedures are presented in the following:

- CAPP Topic No. 50905, *Monthly Reconciliation*,
- CAPP Topic No. 50910, *Quarterly Reconciliation and Certification*, and
- CAPP Topic No. 50915, *Calendar Year-End Certification and Reconciliation*.

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Policy

Introduction

There are four minimum reconciliation requirements as follows:

- Timing of Reconciliation
- Reconciliation Document Format
- Scope of Reconciliation
- Reporting Requirements

These requirements are detailed below. They are in broad terms to allow maximum amount of flexibility on the agency's part to achieve compliance with the reconciliation policy.

Timing of Reconciliation

Reconciliations must be performed, documented and certified to the Comptroller monthly on a *Confirmation of Agency Reconciliation to DOA Reports*, Form DA-03-066. The format used for the reconciliation should establish an "audit trail" so that the reconciliation can be traced to source documents and CARS reports.

Reconciliation Document Format

Each reconciliation must be documented in a format with standard inclusions and must be available for inspection (with all supporting documentation) by outside parties such as the Auditor of Public Accounts (APA) and the Department of Accounts (DOA). Minimum standard inclusions are:

- Balances taken directly from CARS reports,
- Corresponding balances taken directly from agency records (Transaction Batch Control logs and/or supplemental systems reports if the agency maintains supplemental systems), and
- Itemized listings, by source document number, of the differences between CARS reports and agency records referencing correcting source document numbers, corresponding batch identification numbers (Batch ID) and submission dates.

Scope of Reconciliation

All agency records, accounts, and logs must be reconciled to CARS. Perform the following:

- All bank account balances per bank statements must be reconciled to agency control records,

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Policy, Continued

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- All agency subsidiary ledger accounts must be reconciled to agency control accounts (subsidiary ledger to agency general ledger),
 - Agency control accounts must be reconciled to applicable, corresponding CARS accounts,
 - CARS general ledger accounts (including, but not limited to cash, appropriations, allotments, expenditures, revenues and fixed assets) for each fund/fund detail must be reconciled to agency records, and
 - CARS balances as shown on the CARS ACTR1408 report for appropriations, allotments and expenditures must be reconciled to agency records at the fund/fund detail, program level.

NOTE: DOA is responsible for ensuring that all CARS data is comparable on each CARS report.

Reporting Requirements

The *Confirmation of Agency Reconciliation to DOA Reports (Exception Register)* is used to certify that agency records have been reconciled to those of the Comptroller and to inform DOA of any necessary adjustments. The Exception Register is required to be submitted on a monthly basis. The Exception Register Form is distributed to all agencies with their monthly CARS Reports. Agencies that receive their reports via remote print can download a copy from the General Accounting Section on DOA's website.

The form must be signed by the Agency Fiscal Officer and is due to DOA's General Accounting Unit no later than 5:00 p.m. on the 4th business day before the end of the last working day of the month in which the reports are received. The due date for the June exception register is published annually in a memorandum issued by the Comptroller to the Heads of all State Agencies and Institutions setting forth the fiscal year-end closing procedures.

All necessary corrections identified as a result of the reconciliation should be either included on the reverse side of the exception register or should be submitted on an Agency Transaction Voucher (ATV). **Any corrections that can be made on an ATV may not be included on the exception register.** Any necessary ATVs should be processed by the agency and not submitted with the Exception Register.

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Reconciliation Procedures

Source Documents

A source document is defined to be any document that initiates a financial transaction in CARS. The following are examples of source documents.

Name	Form
Accounting Voucher	DA-20-250
Agency Operating Expenditure Plan	DA-02-180
Agency Transaction Voucher	DA-06-152
Appropriation/Allotment Status Report	DPB-714
Appropriation/Allotment/FTE Employment Adjustment Request Form	DPB Form 27/27A (91)
Combo Form	DGS-41-056
Deposit Certificate	Treasurer Form 260 Also includes Forms 261, 266, 267, and 268 which are bank specific.
Deposit Ticket	N/A
Interagency Transfer Invoice	DA-02-039
Loan Agreement	Treasurer Form 100
Petty Cash Reimbursement Voucher	DA-02-040
Revenue Refund Voucher	DA-02-181
Travel Expense Reimbursement Voucher	DA-02-041

Reconciliation Requirements

These detailed procedures are recommended by the Comptroller's Office as the most efficient means by which reconciliation requirements can be achieved. They provide adequate accounting control under normal circumstances and are designed to satisfy the following requirements:

- To enhance agency control over all transactions which affect the general ledger accounts of the agency as recorded in CARS,
- To provide timely, accurate financial information through CARS reports for agency management decisions,
- To provide clear audit trails--from source document to internal accounting system (if agency maintains an internal system) and to CARS reports--for all agency financial transactions, and
- To minimize time and effort required of agency personnel to satisfy financial accounting responsibilities.

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Reconciliation Procedures, Continued

Meeting Reconciliation Requirements

These requirements can be met by:

- Maintaining a "Transaction/Batch Control Log" of all transactions that affect CARS (see Exhibit 1),
- Maintaining a "pending file" with copies of all source documents sorted by Batch ID,
- Reconciling source document detail to internal accounting system (if agency maintains an internal system) and to the CARS ACTR0401 report on a **weekly** basis,
- Reviewing either agency transactions posted to the CARS ACTR0107 report, which lists transactions not posted to the CARS ACTR0401 report because of error conditions or reviewing the CARS on-line, error suspense file for transactions not posted to CARS daily (**See *Non-Posted CARS Transactions* below**),
- Submitting corrections to CARS via Agency Transaction Vouchers (ATV's) or adjusting internal systems with journal entries on a timely basis
Note: The agency must ensure that the original transaction has been posted to CARS prior to submitting the correcting ATV.
- Reconciling internal automated accounting systems reports with CARS reports on a weekly basis, and
- Assigning "blocks" of sequential Batch ID's and voucher numbers.

Non-Posted CARS Transactions

The **CARS ACTR0107 Report** provides a listing of all transactions submitted to DOA but which have not been posted to CARS due to a CARS-detected error condition.

Transactions listed on this report are as of the last update cycle of the prior week. Agencies should not submit correcting entries for transactions appearing on the CARS ACTR0107 report. Agencies with on-line access to CARS should review the on-line error suspense file to ensure the transaction has cleared the error file. Contact DOA regarding the corrective action necessary if the transaction is still on the CARS error file. See CAPP Topic No. 70265, *Error Correction*.

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Reconciliation Procedures, Continued

Agencies maintaining a weekly reconciliation can utilize this report in conjunction with

- (1) the CARS ACTR0401 Report, *Detail of Transactions Posted*,
- (2) source documents, and
- (3) input control logs to facilitate the weekly reconciliation.

The **CARS ACTR0107 Report** will reduce the agency's manual effort required to reconcile CARS reports by providing the agency with a listing of the outstanding items that resulted from CARS-detected errors.

NOTE: Agencies that do not have CARS-detected errors on the CARS ACTR0107 report do NOT receive this report.

The CARS ACTR0107 report presents transaction totals by batch, for all batch types. An example of a CARS ACTR0107 report is presented in CAPP Topic No. 70260, *Reports*.

Reconciliation Process

The recommended reconciliation process consists of seven stages as follows:

Stage	Description
1	Maintain a "Transaction/Batch Control Log."
2	Maintain a pending file of source document copies by batch ID number.
3	Reconcile source documents by line item with agency internal automated accounting system reports which lists all transactions entered by batch ID number.
4	Reconcile the CARS ACTR0401 (Transaction Reconciliation Detail Listing) on a weekly basis.
5	Assign source document numbers and Batch ID numbers sequentially within number ranges (blocks) specifically designated by type of transaction.
6	Make Transaction/Batch Control logs available for immediate reference by agency personnel during the fiscal year.
7	Retain all logs until the fiscal year's activity is audited by the Auditor of Public Accounts.

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Reconciliation Procedures, Continued

Stage 1: Transaction / Batch Control Log

Maintain a "Transaction/Batch Control Log" for each type of transaction (See Exhibit 1).

This log is designed to provide

- an **audit trail** from source documents to internal accounting system (for agencies maintaining an internal system) and to CARS reports and to aid document retrieval and reference,
- a **common reference point** for controlling each batch of transactions sent to DOA for processing,
- the **recording of adjustments** to agency submissions made by DOA, and
- as the **initial worksheet** for the reconciliation.

If the transaction is a ...	Then enter it on the log by ...
Disbursement	<ul style="list-style-type: none"> • Voucher number (Form DA-20-250) • Vendor/description • Total voucher amount • Corresponding Batch ID • Date <p>NOTE: Travel or salary advances should include the name of the person who is responsible for repayment of the advance and the corresponding document number.</p>

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Reconciliation Procedures, Continued

Stage 1: Transaction / Batch Control Log (continued)

If the transaction is a ...	Then enter it on the log by ...
Deposit	<ul style="list-style-type: none"> • Deposit Certificate/Deposit Ticket number (Treasurer Form 260, 261, 266, 267, and 268) • Revenue source/description • Batch ID • Total amount <p>NOTE: Repayments of travel or salary advances should be recorded with the name of the person responsible for the repayment and the corresponding document number. A red check mark should also be made next to that person's name on the log where the initial advance was recorded (to signify that the advance has been repaid).</p>
Budget	<ul style="list-style-type: none"> • Advice Number • CARS Batch ID • Description • Amount
Interagency Transfer (Form DA-02-039) Agency Transaction Voucher (Form DA-06-152)	<p>Sequentially numbered by the originating agency and entered by</p> <ul style="list-style-type: none"> • Voucher Number • Description • Amount • Batch ID

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Reconciliation Procedures, Continued

Stage 1: Transaction / Batch Control Log (continued)

If the transaction is a ...	Then enter it on the log by ...
Loan	<ul style="list-style-type: none"> • Authorization Number (Treasurer's Form 100) <p>NOTE: Loan drawdowns and repayments are recorded in CARS (and will be reflected on the CARS ACTR0401) via a Department of Accounts journal entry which should be entered on the log in accordance with DOA journal entries below.</p>
Operating Expenditure Plan	<p>Entered by the sequentially assigned number on the Agency Operating Expenditure Plan (Form DA-02-180) or by</p> <ul style="list-style-type: none"> • Batch ID if reported from DPB • Amount
DOA Journal Entry	<ul style="list-style-type: none"> • Batch ID (Per CARS ACTR0401) • Amount • Description of entry

Stage 2: Maintain Pending File

Maintain a "pending file" of source document copies by Batch ID Number until the source documents are reconciled.

This temporary maintenance of batch integrity will facilitate the reconciliation process. After the documents have been reconciled, they should be filed in Batch ID number order by transaction type and month of submission to DOA. This permanent file will expedite document reference and retrieval. It is also an important element in providing an audit trail from the source document to the CARS reports.

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Reconciliation Procedures, Continued

Stage 3: Reconcile Source Documents

Agencies with internal automated accounting systems should generate reports which list all transactions entered by Batch ID number. To ensure proper entry, agencies should reconcile source documents by line item to these reports. Once this process has been completed, the Agency should reconcile the internal report to the CARS ACTR0401 report on a individual line item basis. Agencies should note that CARS has the capability to provide extracts of the history file data via "tape exchange." See CAPP Topic No. 70210, *CARS Magnetic Media Interface Requirements*.

Stage 4: Reconcile CARS ACTR0401

Reconcile the CARS ACTR0401 on a weekly basis (see Exhibits 2 and 3).

Each individual line item per the source document should be matched to the CARS ACTR0401 in complete detail (e.g., fund/fund detail, program, object code, revenue source code, etc.). Agencies should also use the DPB Appropriation/Allotment Status Report, DPB714, along with Form 27 as the source documents for budget actions. Any necessary corrections should be entered on an ATV and submitted to DOA on a timely basis.

NOTE: Items that cannot be corrected via ATV's should be listed on the exception register form. Examples of some items that cannot be corrected by ATV's are petty cash and travel advance adjustments and loan transactions.

Stage 5: Assign Numbers Sequentially

Assign the source document numbers and Batch ID numbers sequentially within number ranges (blocks) specifically designated by type of transaction.

This "blocking" of numbers will facilitate control and reconciliation of the different types of transactions. The following block assignment of numbers is an example:

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Reconciliation Procedures, Continued

Type of Transaction	Voucher Number Range to be Used	Batch Identification Number Range to be Used
Payments	50000001-59999999	100-199
Payrolls	60000001-69999999	N/A
ATV's (correcting)	70000001-79999999	200-299
ATV's (fringe benefits)	80000001-89999999	300-399
ATV's (all other)	90000001-99999999	400-499

Stage 6: Log Availability

Make Transaction/Batch Control Logs available for immediate reference by agency personnel during the fiscal year.

Batch ID numbers and other document control numbers such as voucher numbers are to be assigned sequentially throughout the fiscal year. Accordingly, the Batch Control Log and similar control documentation are a vital part of an agency's internal control procedures, as well as being a part of the State's overall financial data control procedures. To enhance this control, this method of relating vouchers to a specific batch through the Transaction/Batch Control Log has been developed and approved by DOA.

Stage 7: Log Retention

Retain all logs until the fiscal year's activity is audited by the Auditor of Public Accounts.

The logs will also provide a ready source of statistical information. For example, the total number and value of the various types of document batches submitted and the number (percentage) of batches out of balance or adjusted can be determined.

Use the formats presented in Exhibit 1 and 2, if applicable.

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Internal Control

Internal Control

The Commonwealth Accounting and Reporting System (CARS) is the official financial system of the Commonwealth. For proper internal controls and to ensure the integrity of the Commonwealth's financial records, the reconciliation of all internally prepared accounting records, data submission logs and other accounting data to reports produced by CARS is mandatory.

Records Retention

Time Period

The *Confirmation of Agency Reconciliation to DOA Reports* and supporting workpapers must be retained three (3) years or until audited by the Auditor of Public Accounts, whichever is longer.

Contacts

DOA Contact

Manager, General Accounting Unit
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E-mail: gacct@doa.state.va.us

Subject Cross References

References

CAPP Topic No. 30905, *Requirements*
CAPP Topic No. 50905, *Monthly Reconciliation*
CAPP Topic No. 50910, *Quarterly Reconciliation and Certification*
CAPP Topic No. 50915, *Calendar Year-End Reconciliation and Certification*
CAPP Topic No. 70210, *CARS Magnetic Media Interface Requirements*
CAPP Topic No. 70260, *Reports*
CAPP Topic No. 70265, *Error Correction*

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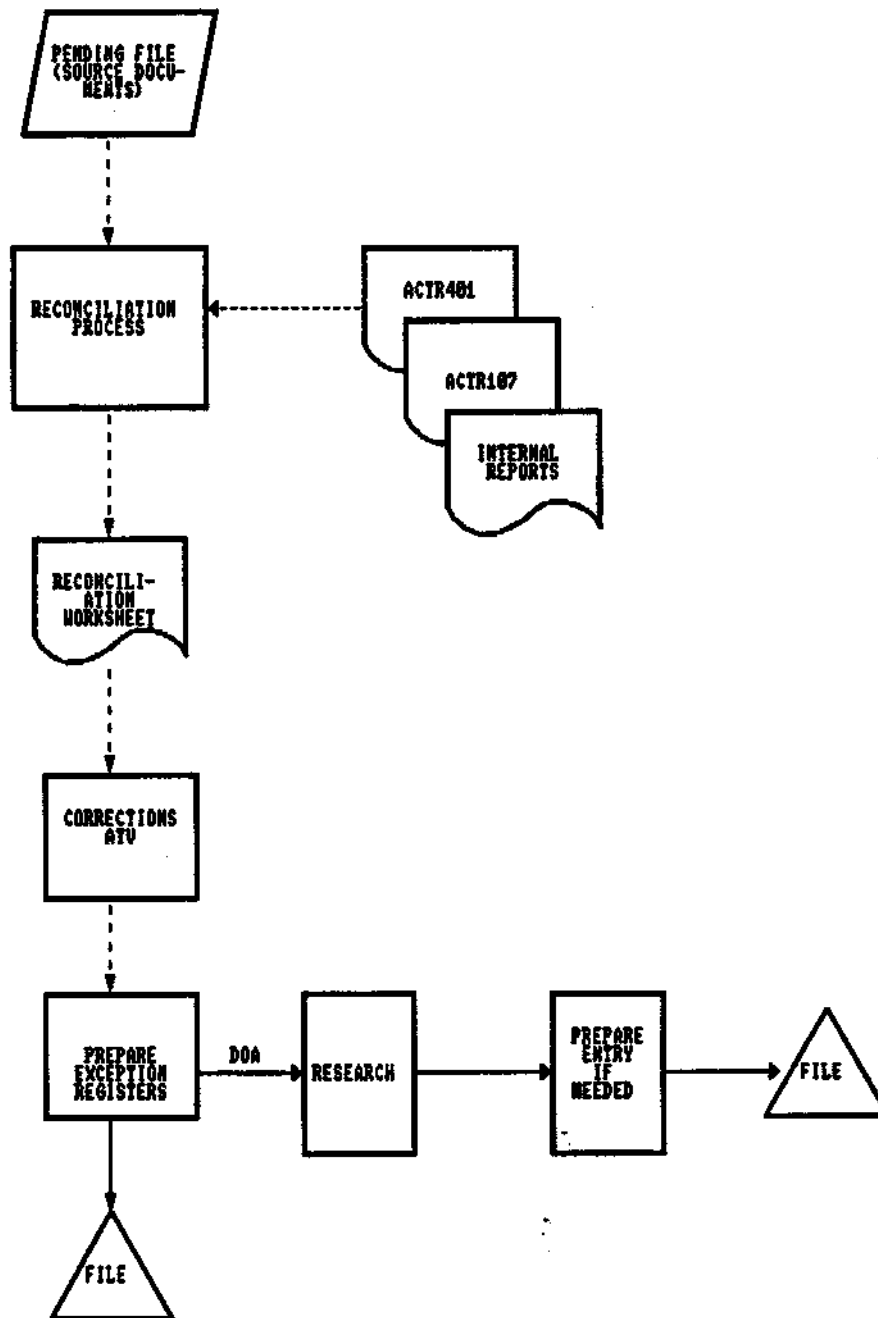
Exhibit 1: Transaction / Batch Control Log

TRANSACTION/BATCH CONTROL LOG

BATCH ID	VENDOR/ORIGINAL SOURCE/ DESCRIPTION	DOCUMENT AMOUNT	VOUCHER NUMBER	VOUCHER DATE	POSTED TO ACTR401 MO DAY	AMT POSTED TO ACTR401	DIFFERENCE

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Exhibit 3: Reconciliation Process Flowchart



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Exhibit 3: Reconciliation Process Flowchart, Continued

Explanation of Flowchart

Exhibit 3 illustrates the flow of the recommended reconciliation process whereby the following steps are performed:

- Source documents are compared, line by line, to the corresponding CARS ACTR0401 Report;
- If a source document is processed incorrectly in CARS, a correcting Agency Transaction Voucher (ATV) would be prepared and submitted as a new source document;
- If a source document is processed incorrectly in an agency's internal accounting system, a correcting journal entry would be prepared and submitted to the internal system;
- The *Confirmation of Agency Reconciliation to DOA Reports (Exception Register)* is completed, signed, and sent to DOA; and,
- Reconciling differences are explained on a *Transaction Reconciliation Detail Listing (Exhibit 2)* and correcting ATVs are referenced.